



Health
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MEDICARE-ELIGIBLE RETIREE HEALTH CARE FUND (MERHCF)

Presented to:
DQMC



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Medicare-Eligible Retiree Health Care Fund

(MERHCF) Defined

- Established by Congress (P.L. 105-85) to provide ***mandatory*** funding for a military retiree health care entitlement
- Covers certain Medicare-eligible DoD beneficiaries (***military retirees, retiree family members and survivors - not simply "over-65s"***)
- Pays for MTF care, purchased care and pharmacy
- Recognizes DoD's accrued and future liability for cost of retiree/survivor health care for military service members and their family members based on actuarial analyses and assumptions, including population characteristics such as:

- Rates of retention to retirement eligibility, tendency to remain on active duty beyond

Implemented 1 October 2002



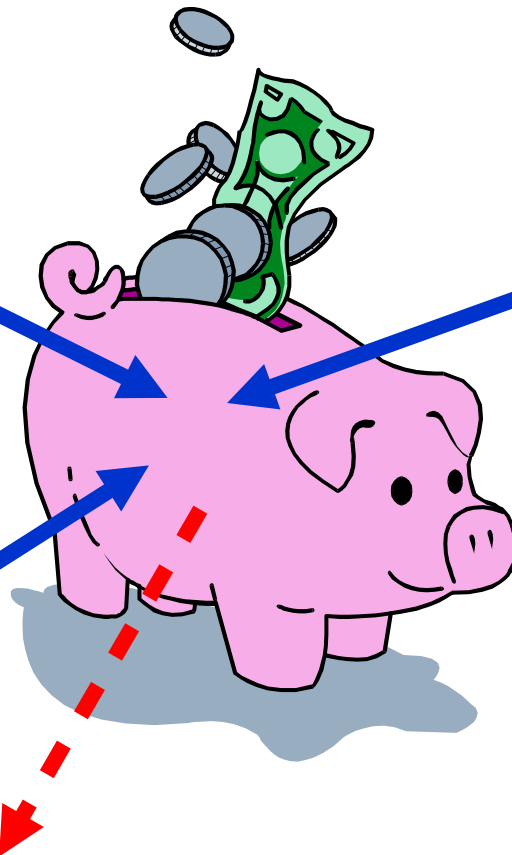
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MERHCF Revenue Sources

**Total actuarial
liability - \$573.0B;
Treasury Portion
amortized over 50
years (\$9.8B)
FY11**

**Annual DoD actuarial
“Normal Cost”
contribution
(\$11.0B) FY11**

**Accrual
fund
investmen
t earnings**



***FY11 Estimated
Outlays \$9.5B***



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Normal Cost Contribution

***Paid by Treasury on behalf
of Service MILPERS
accounts***

FY11 per capita rate

- **Full time \$5,673 annually**
- **Part time \$3,317 annually**

**Multiplied by annual budgeted Service
end strength**

***FY11 actual total DoD contribution -
\$11.0B***

**Pays for future health care costs of
current military personnel once they
retire and they and their family**



Purchased Care

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TRICARE for Life* - Medicare primary payor, TRICARE supplemental (last) payor (*must be enrolled in Medicare Part B*) plus TRICARE unique benefits (*OCONUS purchased care*)

Managed Care Support (MCS) Contracts* - network at-risk costs (*under 65 Medicare eligibles - must be enrolled in Part B*)

TRICARE Senior Pharmacy* - retail, TMOP costs (*must be enrolled in Part B, unless “grandfathered” - age 65 or older as of 1 April 2001*)

US Funds flow: enrollees x capitation rate

*** Includes claims processing and other**

**Simultaneous
us
reconciliation**



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Direct (MTF) Care

Inpatient Care - Relative Weighted Products (RWPs) x MTF-specific rate
(Medical Expense and Performance Reporting System (MEPRS) cost/RWP)

Outpatient Care - Ambulatory Patient Group (APG) weights x MTF-specific rate
(MEPRS cost/APG weight)

Outpatient Pharmacy -

“Ingredient cost” - purchase costs from MEPRS; patient-specific workload from Pharmacy Data Transaction Service (PDTS)

Move to per capita rate



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MTF Reconciliation

The plan...



Use results of the Execution Review to adjust prospective payment amounts in the next available budget year under the PPBS cycle; do not transfer money to or from the fund based on execution year under/over execution

Provides stable business